CAPITAL BUDGET PROGRAM

submitted by the

CAPITAL BUDGET COMMITTEE

19 *71*

Agawam, Massachusetts

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TOWN OF AGAWAM

Capital Outlay Committee Report

Introduction

This report has been prepared by your Capital Outlay Committee in their third year of activity. This financial report is an analysis of all anticipated capital expenditures of over $1,500 that the committee has received from the various committee department heads, boards and commissions in the town. We have not attempted to anticipate capital needs or develop capital plans, this being a function of the various departments, boards and commissions. This program does not commit the town meeting representatives in any way, and does not necessarily imply approval by the Finance Committee, who will recommend action on each item in their Finance Committee Report.

Discussion

This year we have attempted to indicate by estimating the tax rate how the total impact of income vs. expenditure will affect the property owner. The population growth in Agawam over the last five years has been greater than for any other town in the metropolitan Springfield area. Agawam's population has increased approximately 30% since 1065 to over 21,700 people in 1970. This has created a need not only for additional road, water, and sewer services, which must for reasons of health and safety come first, but also a need for additional buildings for expanding town departments.

As indicated in Table 1 new buildings have been requested by the Police, DPW, Library, Fire, Parks and Recreation, and School Departments. The effect of financing these needs is shown in the centerfold section of this report along with the resulting impact on the tax rate for the next five years.

To put these projected tax rates into perspective, the following table of 1970 comparative tax rates (*) is given. All are based on full market value of property:

Springfield	63.7	
Westfield	43.7	Local
Holyoke	55.0	City Ave. 53.2
Chicopee	50.5	
Greenfield	47.0	
Longmeadow	45.1	
Westfield	43.7	
Southwick	42.6	
Monson	42.6	
E. Longmeadow	38.3	
Wilbraham	37.9	Local
Ware	37.7	Town Ave. 37.3
Easthampton	36.5	
Brimfield	35.7	
Palmer	34.0	
AGAWAM	33.8	
Amherst	32.5	
W. Springfield	32.1	
Otis	27.7	
(Orleans	20.1)	

. Of the 39 cities in Massachusetts, all have a tax rate higher than Agawam's.

. Of the total of 312 towns in the state, 85% have a tax rate higher than Agawam's.

. Of the 37 towns with a population of from 15,000 to 30,000, there are only 5 towns with a tax lower than Agawam's.

. The average tax rate for all cities and towns in the State is $52.5.

It is evident that Agawam's tax rate is well below both the average State level and the average local tax rate level. This may be of some small consolation, this being the State of "taxachusetts". It is the increase in taxes each year that is of more concern to the taxpayer. The following comparison shows how Agawam stacks up:

ANNUAL % INCREASE IN TAXES					
* 312 Towns			Agawam		
Tax Levy Millions	Percent Change	Year	Percent Change	Tax Rate	100% Tax Rate
$428	-	1966	-	$ 70	
477	13.9%	1967	0.0%	70	
556	16.6%	1968	20.0%	84	
649	16.5%	1969	15.5%	97	
760	18.8	1970	12.0	(108)	$33.8
	78%	1966-1970	54%		
		1966-1971	74%	(122)	40.5 Est.

*Source: Massachusetts Taxpayers Foundation, Inc.
145 Tremont Street
Boston

Borrowing Capacity of the Town

The town cannot borrow more than 5% of the equalized valuation of taxable property, per Chapter 44, Section 10 of the General Laws. In 1970 the assessed valuation was approximately $143,000,000; 5% thereof (the debt limit) would be $7,150,000 (subject to approval of the state Emergency Finance Board).

In addition the town may borrow "outside the debt limit" over the 5% limit up to a maximum of 10% of the valuation, but only with the approval of the state Emergency Finance Board.

. Average valuation for 3 yrs. (less abatements) est.	$130,000,000		
. Debt Limit (5% thereof)			$ 6,500,000
. Town Debt January 1, 1971		$6,659,000	
. Industrial Park Sewer (if started)		1,415,000	
. Less loans outside debt limit	$ 580,000		
Jr. High School	4,800,000		
South Main Sewer	200,000		
Water Distribution	260,000	5,840,000	
. Existing town debt, inside debt limit		$2,334,000	2,334,000
. Borrowing Capacity, Jan. 1, 1971 (Estimated)			$ 4,166,000

Observations

Listed below are some observations on trends and projections made from this analysis:

1) The tax rate impact in the past has been less than that experienced by other local communities. The rapid increase in population in the past five years however, would indicate that a major increase in taxes can be expected in the near future.

2) Projections of Bonded project commitments made in the last two years will cause a significant tax rate increase in 1972, 1973, and 1974. This may be offset in 1971 and 1972 by re-investment of the $5,000,000 school bond money prior to construction and State returns thereafter.

3) Past salary and employee benefit budget figures have increased 5 to 8% each year. Salaries and benefits being about 60% of the total budget, this factor has a major effect on increasing costs. A 5% increase for 1971, for instance, would amount to $196,700 or $1.30 on the tax rate. This would cost a homeowner with a $20,000 house $26 a year.

4) A reduction this year in the amount of money used to reduce taxes; that is, the excess and deficiency account (from $337,000 last year to only $88,000) will cause about a $1.68 increase in taxes this year. The E & D account should increase in 1972, however, since the reduction was primarily due to late tax billing and the receipt of taxes after the 1970 E & D certification date. This E & D increase in 1972 will be offset almost entirely by the initial new school bond principal and interest payment. Thus, in effect, an anticipated tax increase in 1972 will be partially seen in 1971; and a stabilization effect is created.

5) Although the borrowing capacity of the town as previously noted is high, a note of caution is advisable at this time. Where in 1965 the South Street School bond interest was only 2.6%, the bond cost for the 1972 Junior High School came in at 5.1% or nearly double the 1965 figure. Payment over a 20 year period will equal about half again more than the total principal payment. It is advisable, therefore, that the stabilization fund be used rather than borrowing for projects where state or federal funds are not available. If we continue to appropriate $100,000 each year as was done last year for the first time, by 1974 we should be able to buy outright all of the new buildings listed on Table 1 over a period of three years. Since the stabilization money can be invested and the income becomes part of the fund, an additional gain can be realized that could cover unforeseen capital costs. Also note that the state will match funds taken from the stabilization fund up to $100,000 for school construction.

6) As a guideline for calculating the effect of expenditures listed in Table 1, every $150,000 expenditure will add nearly a dollar to the tax rate. A dollar on the tax rate for a taxpayer assessed for a $20,000 house would increase his cost about $20.00 for the year 1971.

Conclusion

It is the conclusion of the committee that further major expenditures should not be undertaken until 1974. The impact of major bonding projects approved in past years, particularly the new Jr. High appropriation, coupled with an inability to realize an increase in valuation to offset increasing costs, has created an inevitable tax rate increase that cannot be offset by State returns. The needs for new capital items can best be met by the Stabilization Fund, which by 1974 should provide the means for financing on a "pay as you go" basis.

The cooperation of the heads of the various departments, boards and committees is greatly appreciated, particularly the assistance of the Town Treasurer and the Finance Board in providing the needed information.

Respectfully submitted

Francis J. Rosso.....Former School Board Member
Lesslie W. Smith.....Secretary
Anthony Egnatowich.....Business & Industrial Commissions
Laurance R. Andrews.....Chairman

DEPARTMENT APPROPRIATIONS	1970		1971	
General Government				
Salaries	156		163	
Operating Budget	65		81	
Capital Outlay	29	-	5	
Stabilization Fund	100	350	100	349
POLICE				
Salaries	375		400	
Operating Budget	30		38	
Capital Outlay	13		99	
Principal & Interest	0	418	0	537
FIRE				
Salaries	368		414	
Operating Budget	23		17	
Capital Outlay	3		41	
Principal & Interest	38	432	0	472
DEPT. PUBLIC WORKS & ENG.				
Salaries	281		314	
Operating Budget	500		550	
Capital Outlay	177		260	
Principal & Interest	112	1070	96	1220
PARKS & RECREATION				
Salaries	45		48	
Operating Budget	8		23	
Capital Outlay	9		4	
Principal & Interest	0	62	0	75
LIBRARIES				
Salaries	34		41	
Operating Budget	26		23	
Capital Outlay	2		3	
Principal & Interest	0	62	0	67
SCHOOLS				
Salaries	2438		2625	
Operating Budget	753		833	
Capital Outlay	88		0	
Principal & Interest	248	3527	365	3823
Other				
Sal., Benefits, Ins, Pensions	238		258	
All Other	369		396	
Principal & Interest	45	642	40	694
TOTAL				
Salaries, Benefits, Pens.	3935		4263	
Operating Budget	1737		1961	
Capital Outlay	421		412	
Principal & Interest	448	6407	601	7237
Assessments & Overlays -	421	6828	463	7700
Less Transfers, E & D -	337	6491	88	7612
Less Estimated Receipts -	1702	4789	1702	5910
Est. Property Valuation	143,000		148,000	
ESTIMATED TAX RATE	33.80		40.0	

AGAWAM 1971
ATED TAX RATES

1972		1973		1974		1975	
170		179		190		200	
85		89		94		99	
10		10		5		0	
100	365	100	373	100	389	100	399
430		460		480		505	
45		54		65		72	
18		21		20		22	
0	493	0	535	0	565	0	599
434		456		479		503	
31		35		41		50	
45		50		3		3	
0	510	0	540	21	544	20	576
330		350		370		388	
585		630		680		750	
194		180		167		254	
244	1353	215	1375	245	1462	240	1632
58		65		69		72	
30		37		40		46	
30		0		0		0	
0	118	0	102	0	109		118
50		55		58		65	
29		31		35		38	
5		10		15		0	
0	84	0	96	0	108	12	105
2875		3270		3600		3850	
955		1112		1670		1800	
0		0		0		0	
721	4551	678	5060	652	5922	521	6171
277		300		325		350	
462		528		694		800	
45	784	50	878	50	1069	50	1200
4624		5135		5571		5933	
2222		2516		3319		3655	
302		270		210		279	
1110	8258	1043	8964	1068	10168	943	10810
509	8767	530	9494	580	10748	600	11410
500	8267	400	9094	350	10398	300	11110
1850	6417	1900	7194	2100	8298	2100	9010
155,000		164,000		179,000		192,000	
41.4		43.8		46.4		46.9	

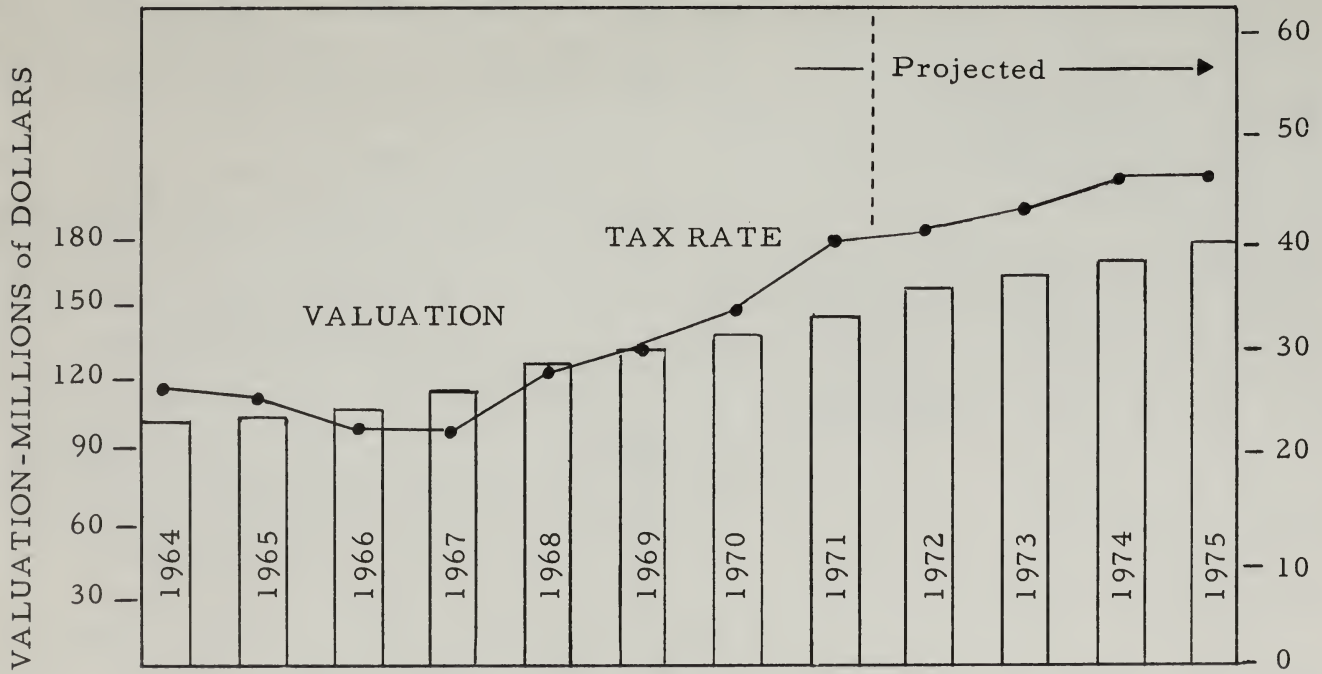
TABLE 1 SCHEDULE OF CAPITAL PROJECTS (in Thousands of Dollars)

Financing (other than Current Revenue): S-Stab. Fund B-Bonds, Years N-Notes, Years

	1971	1972	1973	1974	1975	Later
TOWN HALL, EQUIPMENT, REVISE	5	10		5		
DEPT. PUBLIC WORKS-EQUIPMENT						
Sewer Truck	5.5				5	
Sewer Buckets			3.5			
Pickup Truck	1.5	2.	1.5	2	1.8	Cont.
Water Truck	5.5					
Spreader		2.5	3			
Grader			15			
Sweeper						15
Sewer Cleaner				15		
Backhoe-Loader				15		
Bucket Loader-2 yard					15	
Supt. Car					2	
Dump Truck-6 yard	11	5				15
Other		5	5	5	5	Cont.
DPW,SEWERS,DRAINAGE,WATER,ROADS						
Main St., So. to R.Rd. Sewer	7					
Belmont Sewer	19.7					
Worthington Brook Valley Sewer				350 B20		
Other Sewers	2	25	30	40	40	Cont.
Drainage, So. Wfld., Shoemaker	21	30	20			
Dredging, Leonard to River	15					
Dredging Suffield to Adams	8.5					
Water line, Other	7.6	17	30	30	30	Cont.

Water Line, Garden, 6"	15					
Water Line, Corey, 8"	7.2					
Water Line, Suffield, 12"	10	10				
Water Line, Silver St.					85	
Road Construction	80	80	80	80	80	
Traffic Circle-OBrien's Cor.	6					
Traffic Circle-Suffield, Cooper	18					
Sidewalks, Miscellaneous	15	30	5	10	40	Cont.
FIRE DEPT. -EQUIPMENT						
Fire Trucks-Pumpers	41		42			Cont.
POLICE EQUIPMENT						
Cruisers	16.8	17.6	18.5	19.4	20.4	Cont.
Ambulance	7					15
Radar; radios, etc.	2.5		2.5		1.5	Cont.
Other						
LIBRARIES-EQUIPMENT			10			
Refinish Buildings		5		15		
PARKS & RECREATION-EQUIPMENT						
Tractor-Trade	3.8				3	
Dump Truck-1 Ton	4				3.5	
NEW TOWN BUILDINGS						
DPW Garage	100 B4					
Fire Station		45		150 B10		
Police Station	47		200S			
Libraries	3		10	100S	60N6	
Parks & Rec.	38	30				
Schools						1400 BS
STABILIZATION FUND 100	100	100	100	100	100	

CHART 1 - VALUATION AND TAX RATE (100% VALUATION)



TOWN OF AGAWAM 1971
Table 3
SCHEDULE OF
BONDED DEBT

Year of Issue	Bond Purpose	Original Amount of Bond	Payment in Principal	Due 1971 Interest	Bond Balance Jan. 1, 1971
1952	Phelps School Addition	200,000	10,000	255.00	10,000
1954	Senior High School	600,000	30,000	2,362.50	90,000
1954	Senior High School	1,500,000	75,000	5,906.25	225,000
1958	South Street School	250,000	15,000	1,040.00	25,000
1959	Robinson School	265,000	15,000	3,800.00	85,000
1959	Robinson School	400,000	20,000	6,840.00	160,000
1961	Senior High School Addition	290,000	15,000	4,572.50	140,000
1961	Springfield Street Storm Drainage	215,000	20,000	310.00	0
1964	Granger School Addition	340,000	20,000	6,510.00	200,000
1965	South Street School	235,000	10,000	1,040.00	30,000
1967	Feeding Hills Fire Station	140,000	35,000	568.75	0
1968	DePalma Area Sewerage	315,000	25,000	11,110.00	240,000
1968	Water Distribution	300,000	20,000	11,000.00	240,000
1969	Suffield Street Land Takings	56,000	20,000	2,340.00	16,000
1971	Junior High School	4,800,000	0	122,400.00	4,800,000
1971	South Main Street Sewerage	204,000	0	5,100.00	204,000
	TOTALS	$ 10,110,000	330,000	185,155.00	6,465,000